PRIDE INSIDE

TORONTO INDUSTRIES LTD.
ANNUAL REPORT 2004

TOROMONT

TOROMONT TAKES PRIDE IN SERVING THE NEEDS OF THOUSANDS OF CUSTOMERS EACH YEAR THROUGH ITS TWO BUSINESS GROUPS.

THE EQUIPMENT GROUP INCLUDES ONE OF THE WORLD'S LARGEST CATERPILLAR DEALERSHIPS BY REVENUE AND GEOGRAPHIC TERRITORY IN ADDITION TO INDUSTRY-LEADING RENTAL OPERATIONS.

THE COMPRESSION GROUP IS A NORTH AMERICAN LEADER SPECIALIZING IN THE DESIGN, ENGINEERING, FABRICATION, INSTALLATION AND SERVICE OF COMPRESSION SYSTEMS FOR NATURAL GAS, FUEL GAS AND CARBON DIOXIDE, IN ADDITION TO PROCESS SYSTEMS AND INDUSTRIAL AND RECREATIONAL REFRIGERATION SYSTEMS.

BOTH GROUPS OFFER COMPREHENSIVE PRODUCT SUPPORT CAPABILITIES. TOROMONT EMPLOYS APPROXIMATELY 4,000 PEOPLE IN OVER 110 LOCATIONS. THIS REPORT AND MORE INFORMATION ABOUT TOROMONT INDUSTRIES CAN BE FOUND ON THE COMPANY'S WEBSITE AT WWW.TOROMONT.COM

6

WHAT GETS MEASURED, GETS DONE

With this in mind, and a focus on achieving perfection, Toromont CAT rolled out Six Sigma process in 2004. In addition to intensive training for our "black belts" (bottom left), we sponsored 10 initial projects for improvements ranging from parts scrap reduction to enhancing our recruitment process. We intend to adopt Six Sigma throughout our Caterpillar dealership and make it a point of pride and a competitive advantage for all divisions.

4,000

POWER TO THE PEOPLE

In 2004, we proudly surpassed the 4,000 employee milestone. The size of our workforce makes Toromont a powerhouse in the equipment and compression markets we serve. However, what really sets us apart is that we employ a high degree of technical expertise within our ranks. This qualifies us to work with our customers and partners on sophisticated projects around the world.

RECOGNIZING OUR ALL STARS

We reward employees for strong performance and exceptional results. One example is our All Star Recognition Awards for employees of CIMCO Refrigeration. Among other things, this program encourages CIMCO employees to help identify and recruit other skilled workers. In 2004, the contributions of 100 CIMCO employees were proudly recognized through this ongoing program. Another example is our new Branch Excellence Program within Toromont CAT, which provides an annual gold award based on important metrics including parts, service, sales, rental and overall profitability. In 2004, the award went to the Timmins-Placer Dome branch. We also recognize individual contributors, like Nigel Watson (bottom centre), a 34-year member of our team and the first recipient of Toromont CAT's central division employee award. Recognition was also given to Larry Skwarek for leadership in equipment sales and Terry Dyczkowsky for product support.

ABOVE AND BEYOND

Going that "extra mile" to deliver service is not the exception at Toromont, it is part of our culture. It is one of the main reasons we achieved record revenues and record earnings across our two operating groups in 2004. Although many employees deserve special recognition, the Toromont service team continues to make important contributions above and beyond the call of duty. Our people make growth happen!

PRIDE IN PEOPLE

10

A MOUNTAIN OF INNOVATION

In 2005, Beijing, China's first indoor ski facility will open – with our Eco-Snow all-weather snow-making technology providing the powder. This 10-storey, 4.5 million cu. ft. indoor "mountain" incorporates a variety of technologies, including special snow-making equipment from our CIMCO division. CIMCO is also providing the ice-making technology for an indoor ice rink on the fifth floor of the Rabbi Centre, one of Lahore, Pakistan's main shopping attractions. These projects are recent examples of the potential for our recreational refrigeration business in Asia.

SUPPORTING THE BIG IDEA

Customers make big things happen with our equipment. We are there to support them. Customer support offers us strong growth opportunities. We are committed to realizing on these opportunities through new service initiatives. To provide special expertise to our people in the field, we recently created a Tech Services Group at Toromont Energy. At Toromont CAT, we introduced a Contamination Control Program – and can take pride in the fact that we have reached 5-star certification from Caterpillar for this service in a number of our facilities. We also expanded our remanufacturing offerings for underground mining equipment.

CANADIAN SUCCESS STORIES

For the foreseeable future, Canada will be a major driver of our growth and we enjoy holding a leading position in our domestic markets. This helps us win many exciting projects, like the order we received for 60 CAT backhoes from a large Canadian construction company in late 2004, and in excess of $20 million awarded by Voisey's Bay Nickel in Labrador to supply equipment and diesel generator sets. Our Compression Group is enjoying record growth from rotary screw and reciprocating natural gas compression packages in western Canada, and industrial refrigeration systems for cold storage and meat processing facilities nationwide.

$8 BILLION

CREATING PROUD EQUIPMENT OWNERS AROUND THE WORLD

In 2004, our Compression Group delivered services to over 45 countries. From these assignments, there were many highlights. We completed projects in the U.S., Equatorial Guinea, Abu Dhabi, Russia and India – as well as a $20 million refrigeration package for a gas processing facility in North Africa, the single largest order in our history. We also completed a $9 million order to build refrigeration compressors destined for a styrene plant in the Middle East. The estimated global compression market consumes $8 billion of products annually, presenting a virtually unlimited opportunity to create proud equipment owners around the world in the future.

PRIDE IN PROJECTS

THINKING DIFFERENTLY

At Toromont, we want our customers to think of us as partners, so we do things that only a partner would do. For example, opening a temporary Jobsite Equipment depot to assist contractors in constructing Dofasco's new Pickle Line facility in Hamilton – and using our powerful e-commerce systems to track the utilization of bar-coded equipment for accurate invoicing and asset management. We are also forging preferred customer agreements to provide guaranteed cost of ownership and offering training for our customers in safe and efficient operation of our equipment. We have hired specialists directly from the mining and forestry industries to help shape our service offering in these unique areas. In these and many other ways, we are thinking differently about ourselves, our customers and our service offering.

OLD AND NEW TRADITIONS

We have found tremendous value in partnering with leading businesses. Today, we have many valued partners, some long-standing and some new. Included within our Compression Group are companies such as Ariel, Frick, Waukesha and Evapco from the U.S., Mycom from Japan, and Alfa-Laval from Sweden, which provide us with leading-edge, state-of-the-art technologies. Our multi-year relationship with Sterling Trucks has also been a winning combination. We are their #1 dealer in Canada. Further, we are also forging new alliances. In 2004, we acquired Engineered Refrigeration Systems (ERS) of Mobile, Alabama, which added new refrigeration customers in over 30 states. Toromont Power Systems also signed a number of long-term maintenance agreements ranging from servicing of landfill power generation systems in Guelph to a repair and overhaul agreement for power units used by the Department of National Defence.

4

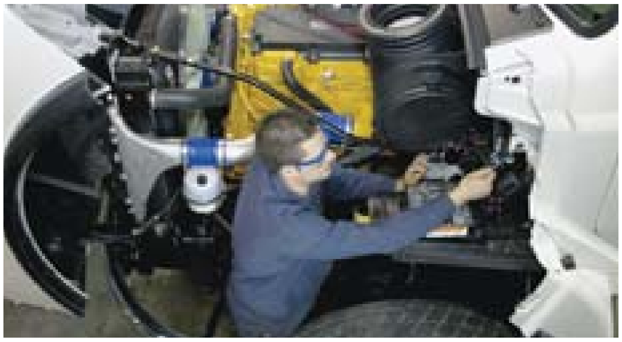
A FOUR LETTER ACRONYM THAT DRIVES OUR SUCCESS

The letters are TEPS, and they stand for Truck Engine Product Support dealers. These independent, authorized truck engine specialists support CAT engines in on-highway trucks throughout our territories and are an integral part of Toromont's service offering. Today, with over 100 truck engine service bays within our branch network, and access to over 1,700 TEPS bays, we offer highly responsive service as the largest and best equipped truck engine dealer on the continent.

#1

KNOWN FOR THE COMPANY WE KEEP

For more than a decade, we have partnered with Caterpillar, the world's #1 heavy equipment and engine manufacturer. This valued association has not only allowed us to become #1 in our core equipment markets, it creates ongoing opportunities for us to grow in many industries. For example, we are making gains in forestry, truck and industrial engine markets with CAT-driven initiatives to partner with Timberking, and expand ACERT™ engine offerings. The recent creation by Caterpillar of an OEM – Original Equipment Manufacturer – Solutions division also gives us a new line of transmission, final drives and undercarriages to sell to the aftermarket.



PRIDE IN PARTNERSHIPS

ON THE MOVE TO SERVE CUSTOMERS

To reach customers where they do business, it is not enough just to have branches. We must make our expertise portable. We do. In 2005, we are adding new Toromont CAT lube trucks and equipping them with on-board oil filtration and "kidney loop" systems that allow for recycling of oil. We have expanded our Toromont Energy Services fleet to 80 vehicles and have created a new "job in a box" system at CIMCO to enable our service technicians to more quickly access commonly

3D

MARSHALLING OUR RESOURCES

In 2005, we are creating a Customer Solutions Centre within our Caterpillar dealership to co-ordinate the activities of our in-field and 24-hour call centre resources. Part of its mandate will be to monitor data and customer inquiries created by our expanding satellite equipment tracking and performance programs. With these technologies, our customers can now control grading in real-time through 3D satellite images, monitor weight and payload, and track equipment location and utilization for better asset allocation and maintenance. Clearly, we not only sell reliable product, we provide real solutions.

NEW YEAR, NEW ACTION

In 2005, we are committed to making new investments to further strengthen our presence nationally and globally, and expand capacity to meet demand. Our plans include creating another service depot for CIMCO in the U.S., opening a new rental store in Barrie, Ontario, expanding Canadian Process service operations and, over time, growing our international footprint with a focus on Europe and the

11

LOCATION, LOCATION, LOCATION

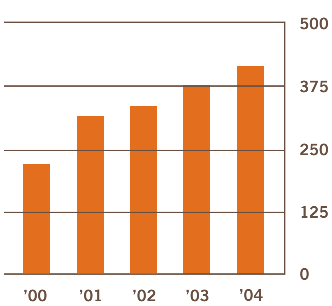
We take pride in our branch network of over 100 facilities to better service our customers. During 2004, we opened six sales offices for Toromont Energy Systems – two in Alberta, two in the U.S. and one each in Indonesia and Malaysia – a new Caterpillar dealership branch in Winnipeg, a new Battlefield–The CAT Rental Store location in Brandon and a joint Toromont CAT-Battlefield branch in Peterborough. Battlefield also acquired Access Rentals and Supply Limited, a prominent rental operation in Sudbury, while CIMCO Refrigeration acquired ERS in Mobile, Alabama.

PRIDE IN PLACE

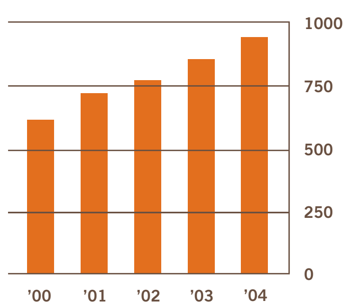
FINANCIAL HIGHLIGHTS

$ thousands, except per share data	**2004**	2003	2002
Revenues	**$ 1,487,338**	$ 1,299,389	$ 1,076,930
Operating Income	**120,189**	100,590	73,911
Net earnings	**70,518**	58,693	40,457
Working capital	**238,523**	203,577	213,222
Total assets	**944,814**	856,176	771,902
Shareholders' equity	**415,855**	376,837	335,316
Basic earnings per share	**$ 1.11**	$ 0.93	$ 0.63
Dividends per share	**0.26**	0.21	0.18
Book value per share	**6.59**	5.93	5.28
Return on opening shareholders' equity	**18.7%**	17.5%	12.9%
Shares outstanding			
At year end	**63,082,586**	63,563,246	63,455,146
Weighted average for year	**63,462,156**	63,407,584	64,254,920

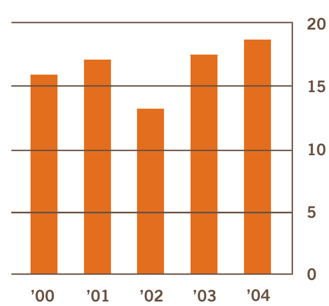
SHAREHOLDERS' EQUITY
($ MILLIONS)



TOTAL ASSETS
($ MILLIONS)



RETURN ON OPENING SHAREHOLDERS' EQUITY (%)



PRIDE IN PERFORMANCE

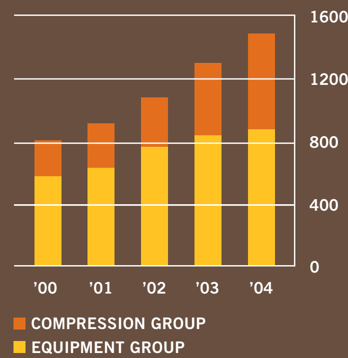
4

THE NUMBER OF TIMES OUR STOCK HAS SPLIT ON A 2 FOR 1 BASIS IN THE PAST TEN YEARS.

$732

THE VALUE OF $100 INVESTED IN TOROMONT STOCK IN 1994 AT DECEMBER 31, 2004.

CONSOLIDATED REVENUE
($ MILLIONS)



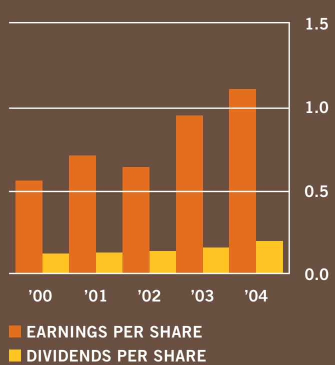
$1.5 BILLION

A RECORD FOR ANNUAL REVENUE WAS SET IN 2004. CONSOLIDATED REVENUE INCREASED 14% OVER 2003, DRIVEN BY A 32% INCREASE IN COMPRESSION.

$1.11

THE PER SHARE EARNINGS OF TOROMONT IN 2004 INCREASED 19% OVER 2003.

EARNINGS AND DIVIDENDS PER COMMON SHARE ($)



36

TOROMONT HAS PAID DIVIDENDS CONSISTENTLY SINCE 1968. IN 2004, THE DIVIDEND WAS INCREASED 24% TO 26 CENTS PER SHARE.

FELLOW SHAREHOLDERS:

2004 WAS A VERY REWARDING YEAR. TOROMONT ONCE AGAIN LIVED UP TO ITS TRADITION OF CREATING SHAREHOLDER VALUE. COMPARED TO 2003:
• REVENUES INCREASED 14% TO A RECORD $1.5 BILLION
• NET EARNINGS WERE AHEAD 20% TO A RECORD $70.5 MILLION
• EARNINGS PER SHARE GREW 19% TO A RECORD $1.11

We have paid dividends every year since going public in 1968 and 2004 represents the 15th consecutive year of dividend increases. In 2004, dividends increased 24% to 26 cents per share. This trend will continue in 2005, with an additional 23% increase in dividends announced effective with the April 1, 2005 payment.

Toromont also maintained a strong balance sheet and generated a healthy return on equity. Return on equity (ROE) for 2004 was 18.7%. In 10 of the last 11 years, ROE has surpassed 15%.

Most importantly, Toromont is meeting the true test of value creation: performance over time. Our 10-year track record features:

- Average annual revenue growth of 13.6%.
- Average annual earnings growth of 15.1%.
- Average ROE of 19.7%, excluding one-time gains.

Over this 10-year period, total compound return to shareholders, including capital appreciation and reinvestment of dividends, was an outstanding 22%. Expressed another way, $100 invested in Toromont in 1994 was worth $732 at the end of 2004.

CREDIT WHERE CREDIT IS DUE

Toromont's track record has been forged by the contributions of many people, over many years. The pride we feel in our past performance is a pride that should be equally shared by all who made it possible.

Our Customers – Toromont's customers have done more to drive our success than buy our products and services. They have helped us to be a better company by challenging us to create and innovate. We have responded over many years by expanding our product and service offerings and more recently, our e-commerce solutions.

In 2004, our capital investment was $72 million – bringing total investments over five years to $480 million. We acquired businesses, invested in new systems and technologies, expanded our rental fleet and increased our North American and global market penetration. In 2004 alone, we added 11 new locations – six in Canada, three in the U.S. and two in Asia Pacific. We also invested in our e-commerce capabilities, a strategically important competitive and business advantage for our customers and for Toromont.

The rewards of investing on this scale are tangible. Compression Group revenues have almost doubled over the past two years. With continued strong natural gas markets, we had a number of significant wins at home, as well as in the U.S., China, the Middle East and Africa.

We are mindful of achieving satisfactory returns on these investments. Over the past five years, return on capital employed averaged 18.6%.

Our customers are not only buying more from us, but more often. They trust us to maintain their equipment over the long term. Product support revenue increased 10.6% in 2004 (16% excluding the impact of the stronger Canadian dollar). At the end of 2004, we had over 2,500 multi-year product support agreements in place with customers located throughout North America.

PRIDE IN OUR PAST. CONFIDENCE IN OUR FUTURE.

Our 4,000 Employees – Our people make all the difference. They are our single greatest asset in achieving customer satisfaction and supporting success.

As we look forward, employee talent will become an even greater competitive advantage as our customers' projects and products increase in size, scope and sophistication. Our challenge is to continue to recruit the people with the skills we need while making the Toromont work experience safe, healthy, and fulfilling for the long term.

Toromont is rising to this challenge. We are investing in apprenticeships and college partnerships. We are investing in sales, leadership and technical training. We are creating clear opportunities for advancement for our leaders of the future through detailed succession plans. We are working to improve our working environment through continuous improvement to our health, safety and environmental policies.

Our Business Partners – No company can achieve the kind of growth Toromont has without committed business partners. Caterpillar is the long-term foundation for our Equipment Group. As the world's largest and best heavy equipment and engine manufacturer, Caterpillar provides us with leading products, product innovations, and support services, all of exceptional quality. For the past 11 years, we have worked with Caterpillar to expand our sales, market share and market reach. And we have succeeded together. We are committed to becoming Caterpillar's #1 dealer while realizing that we face stiff competition for this distinction among Caterpillar's highly capable dealers who sell throughout the world.

Other partners have added value over the years, such as Frick, Ariel, Waukesha, Gemini, Mycom and Sterling Truck. Since partnering with Sterling in 2001 we have become their number one dealer in Canada in truck sales.

Our Shareholders – Nothing would be possible without capital. As managers and shareholders in Toromont, we understand the vital role our owners play in our long-term success. It is why we hold ourselves accountable for delivering attractive returns. It is why we take a disciplined approach to growth, market expansion and acquisitions. It is also why we manage our business with a long-term perspective and well-defined targets.

As a business, Toromont has succeeded because of the confidence of our shareholders and their willingness to invest. We intend to continue to engender their confidence by employing our new long-term business plan.

DRIVING PERFORMANCE – "SEVEN BY 7"

We are not just proud of our past. We are confident in our future. To illustrate this confidence, and meet our ultimate objective of creating value for our customers, employees, business partners and shareholders, we have set new performance objectives – "Seven by 7".

Within "Seven by 7", targets for earnings, dividends and share price, as well as goals for revenue growth and diversification throughout our operations have been established.

By the end of 2007, we will drive annual revenue to $2 billion – half derived from Compression and half from Equipment. Of this amount, at least 10% of our revenues will be generated from international business.

These are aggressive goals. However, we believe we have room to grow both domestically and internationally. We estimate the markets available to Toromont today consume over $13 billion worth of our products and services annually.

"Seven by 7" also contains specific goals for succession planning, workplace safety and employee pride. Ultimately, we target Toromont to be one of Canada's Top Employers with the best safety record among its peers.

To achieve "Seven by 7", each Group has developed its own specific action plans that involve organic growth, acquisitions and continuous improvement through efficiency and cost containment. Each plan is consistent with our four proven growth strategies:

- Expand our markets.
- Strengthen product support.
- Broaden product offerings.
- Invest in our resources.

COMPRESSION GROUP

We expect our Compression Group will be a growth leader. Opportunities, particularly in the international market are significant. High priority areas include:

- Expanding our sales reach (Asia, Europe and the Middle East).
- Expanding our product support presence throughout North America.
- Growing our product offerings to serve important new or untapped markets including coal bed methane, liquefied natural gas (LNG), liquefied petroleum gas (LPG) and U.S. gas compression, along with industrial and recreational refrigeration.
- Increasing our revenues from rental activities.
- Making our energy efficient Eco-Chill ice rink systems a mainstream solution. In 2004, we received orders for 16 of these innovative, environmentally sound solutions.

In the past decade, Toromont has built a significant field population of industrial and recreational refrigeration, natural gas compression, carbon dioxide, fuel gas and refrigeration systems packages, representing ongoing product support opportunities. Growth is expected to come from service and parts sales to this installed base.

We plan to more fully capitalize on the 2004 addition of six Compression parts, service and sales facilities, our expanded U.S. gas compression sales force, as well as Engineered Refrigeration Systems. This Alabama-based business, acquired in late 2004, provides refrigeration sales and service to customers in over 30 states.

Technology will continue to add increasing value for Toromont in the marketplace. Our forward plans include new sales automation tools, project management systems and continued integration of Process information systems.

EQUIPMENT GROUP

We have exciting growth plans for the Equipment Group. Our strategy is to intensify growth in our territories, emphasize rental opportunities, and more fully leverage the joint capabilities of the Caterpillar dealership and Battlefield–The CAT Rental Store.

We have the resources to grow and have added more facilities, including:

- A recently opened Toromont CAT-Battlefield location in Peterborough.
- A new Battlefield–The CAT Rental Store in Brandon.
- A newly acquired rental operation in Sudbury.
- A new Caterpillar dealership branch in Winnipeg, equipped with five-star contamination control systems.

With the opening of our new rental store in Barrie in mid-2005, we will have 69 locations serving over 15,000 customers within the Equipment Group.

Construction, aggregates, power systems and infrastructure will continue to figure prominently in our plans. A new industry-focused approach to marketing will be employed within Toromont CAT, with an initial focus on sales in mining and forestry.

We are also marshalling and investing in our service infrastructure:

- In 2005, a Toromont CAT Customer Solutions Centre will open to co-ordinate and expand the activities of our 24/7 customer services with special emphasis on e-business and fleet management.
- We are adding to Toromont CAT's industry-leading field resources by growing our fleet of lubrication trucks equipped with state-of-the-art mobile contamination control systems.

New product introductions are also growth catalysts. In particular, we look forward in 2005 to:

- A number of new offerings from Caterpillar's recently created OEM Solutions division.
- Expansion of Caterpillar's ACERT™ truck engine technology rollout.
- The development of our own auxiliary power unit technology for on-highway trucks that will provide drivers with an alternate source of power, thereby reducing idling emissions.
- Caterpillar's alliance with Timberking will continue to provide benefit in the forestry industry.
- We have recently been appointed the Trimble dealer for our territories for laser and satellite machine guidance and control. Through our Customer Solutions Centre, we will provide our customers with both sales and support for this exciting technology.

Cost containment, continued efficiency and business improvements are everyday preoccupations. For that reason, Six Sigma, the metrically driven approach for eliminating defects, was introduced at Toromont CAT in 2004 with good results measured by process improvements and cost reductions. It will be expanded through 2007.

GOVERNANCE

We take great pride in the calibre of people who serve on Toromont's Board of Directors. They are experienced business people, and committed Toromont shareholders who invest countless hours to represent the best interests of all of us. Their contributions are reflected in Toromont's results every day and we sincerely thank them for their efforts in 2004.

SPECIAL NOTE

We regretfully report the passing of long-time Board member William A. McKenzie in July, 2004. Bill served on the Board from 1973 to 1998, at which time he attained our mandatory retirement age for directors. He was a great friend and a respected business executive. He will be missed.

CONCLUSION

Looking forward, we are confident that Toromont has the right plans, priorities and team in place for the future. We intend to continue to act in a committed, disciplined, innovative and respectful way in aggressive pursuit of our long-term objectives.

On behalf of the Board, we thank our shareholders and customers for giving us the opportunity to serve them in 2004. We also sincerely thank our employees for delivering another record-setting year in which we can all take pride.

Yours sincerely,

Hugo T. Sørensen
President and
Chief Executive Officer

Robert M. Ogilvie
Executive Chairman
of the Board

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOLLOWING A RECORD YEAR IN 2003, STRONG FINANCIAL PERFORMANCE CONTINUED IN 2004, WITH NEW MILESTONES FOR REVENUES, EARNINGS AND RETURNS TO OUR SHAREHOLDERS.

This discussion and analysis should be read in conjunction with the consolidated financial statements, management's report and the auditors' report included in this Annual Report for 2004. The date of this management discussion and analysis is February 15, 2005. Additional information, including the Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's web site at www.toromont.com.

***Advisory**: This Annual Report, including management's discussion and analysis, contains certain forward-looking statements. These statements are influenced by management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risk factors materialize, or should assumptions prove incorrect, actual results may differ materially from those expected.*

Earnings for the year increased 20% to a record $70.5 million ($1.11 per share) on a 14% increase in revenues.

Significant highlights in 2004 include:

- **A two for one stock split by way of a stock dividend on April 14, 2004.** This has improved daily trading volumes in Toromont stock and hence increased liquidity.
- **Increased annual dividend payout by 24% to 26 cents per share,** making 2004 the 15th year of consecutive dividend increases**.**
- **Completed several significant Equipment Group orders.** Deliveries in the year included Lafarge ($12 million), Voisey's Bay Nickel Company ($10 million diesel generators and 20 pieces of Caterpillar Equipment), and Aecon (60 unit backhoe order). Customer service agreements ("CSAs") were also up in 2004 on many new contracts in the year. As at December 31, 2004, equipment order backlog was at record levels for this time of year.
- **Compression Group revenues increased 32% on strong demand for gas compression packages (up 50% in the year).** Deliveries of natural gas compression packages in 2004 included an order for $30 million announced in late 2003. Several significant process and industrial orders were completed in the year including a $9 million refrigeration system order for a styrene plant in the Middle East, a $20 million refrigeration project to North Africa (the largest order in the Company's history), and two industrial refrigeration orders (Beijing and Lahore; $4 million). In early 2005 a $12 million contract with TransCanada Corporation for the supply of compression equipment for its gas storage facility in Edson, Alberta was announced.
- **Share repurchases under normal course issuer bid were $19.5 million** (1,054,300 shares at an average price of $18.46 per share).
- **Toromont purchased two businesses in December 2004.** Access Rentals and Supply Limited, a rental equipment company based in Sudbury, Ontario, improves coverage for our Battlefield rental operations in Northern Ontario. Engineered Refrigeration Systems, Inc., an industrial refrigeration company in Mobile, Alabama, was acquired to expand CIMCO's North American industrial refrigeration representation. Annualized revenues for these companies were approximately $20 million.
- **Return on opening shareholders' equity was 18.7%.**

OVERRIDING STRATEGIES

A primary objective is to build shareholder value through sustainable and profitable growth, founded on a strong financial position. Toromont's operating groups employ the following broad strategies in pursuit of this objective:

Expanding Markets – Each operating group strives to maintain leading positions in new and existing markets. Geographic expansion, market share gains and improved coverage are key drivers.

Strengthening Product Support – The parts and service business is a significant contributor to our overall profitability and serves to stabilize results through economic downturns. Product support activities also represent opportunities to develop closer relationships with customers and differentiate our product and service offering. Our strategy is to consistently provide product support that meets or exceeds customers' expectations.

Broadening Product Offerings – Toromont delivers specialized capital equipment to a diverse range of customers and industries. Collectively, we offer thousands of different parts through our distribution channels. Toromont will expand its customer base through selectively extending our product lines and distribution channels.

Investing in Our Resources – People are our most valuable resource. The combined knowledge and experience of management and staff is a key competitive advantage. Our growth is dependent on attracting, retaining and developing employees with values that are consistent with Toromont's. Information technology represents an opportunity to drive efficiency and improve service delivery to our customers. We make selective investments in information technology to achieve a strategic advantage in the markets we serve.

Strong Financial Position – A strong, well-capitalized balance sheet creates financial flexibility to withstand economic cycles and has contributed to the Company's long-term record of profitable growth.

KEY PERFORMANCE MEASURES

The Company continuously reviews and monitors its activities and the performance indicators it believes are critical to measuring success. Some of the key financial performance measures are discussed below. Others include, but are not limited to, measures such as market share, fleet utilization, and customer and employee satisfaction.

Years ended December 31	**2004**	2003	2002	2001	2000
EXPANDING MARKETS AND BROADENING PRODUCT OFFERINGS					
Revenue growth	**14.5%**	20.7%	18.2%	13.8%	10.6%
Revenue generated from outside North America ($ millions)	**$ 79**	$ 55	$ 23	$ 16	$ 22
Revenue ratio – Equipment Group to Compression Group	**59:41**	64:36	71:29	69:31	71:29
STRENGTHENING PRODUCT SUPPORT					
Product support revenue growth	**10.6%**	12.1%	16.3%	24.8%	7.6%
INVESTING IN OUR RESOURCES					
Revenue per employee ($ thousands)	**$ 398**	$ 388	$ 373	$ 353	$ 364
Investment in information technology ($ thousands)	**$ 11,700**	$ 11,200	$ 8,800	$ 8,000	$ 7,500
STRONG FINANCIAL POSITION					
Working capital ($ millions)	**$ 239**	$ 204	$ 213	$ 218	$ 165
Net debt to equity ratio	**.45:1**	.47:1	.41:1	.48:1	.66:1
Book value per share	**$ 6.59**	$ 5.93	$ 5.28	$ 4.90	$ 3.77
BUILD SHAREHOLDER VALUE					
Basic earnings per common share growth*	**19.4%**	47.6%	16.7%	(3.6%)	1.8%
Dividends per common share growth	**23.8%**	16.7%	5.9%	6.3%	14.3%
Return on opening shareholders' equity	**18.7%**	17.5%	12.9%	17.1%	15.9%

** Excluding gain on sale of investments in 2001*

The performance measures indicate successful execution of our strategies. Revenues have increased at an average annual rate of 15.5% since 2000 and product support revenues have kept pace with an average annual growth rate of 14.3% over the same period. Over the past two years, revenue and product support growth has been negatively impacted by the strengthening Canadian dollar, which has resulted in lower selling prices and costs. We estimate the impact on our revenues was approximately $74 million or 5% of revenues in 2004. Exchange affects our product support revenues as the Company imports many of its parts from the United States. We estimate that the impact of exchange movement on our product support revenues was approximately $18 million or 5% of product support revenues in 2004. Additionally, revenue growth in 2004 has been affected by supply constraints on certain equipment, resulting in some delays in deliveries to customers until 2005.

Significant investments have been made in the area of information technology that has served to increase productivity levels. Revenue per employee has increased 9% since 2000.

Toromont continues to maintain a strong balance sheet. In 2004, working capital and book value per share were up over prior years. The Company's leverage (as represented by its debt to equity ratio) was also marginally lower despite expenditures of $19 million on share repurchases. Earnings per share have improved in each year since 2000, with the exception of 2001, which was impacted by the issuance of common shares to finance the Powell acquisition. Book value per share has increased in each of the past five years.

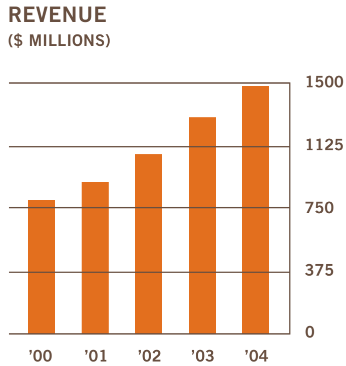
CONSOLIDATED RESULTS OF OPERATIONS

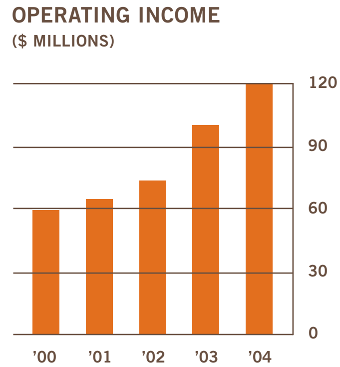
Years ended December 31	2004	2003	% change
REVENUES	**$ 1,487,338**	$ 1,299,389	14%
Cost of goods sold	**1,178,081**	1,028,410	15%
Gross profit	**309,257**	270,979	14%
Selling and administrative expenses	**189,068**	170,389	11%
OPERATING INCOME	**120,189**	100,590	19%
Interest expense	**12,360**	13,276	(7%)
Interest and investment income	**(1,936)**	(2,668)	(27%)
Income before income taxes	**109,765**	89,982	22%
Income taxes	**39,247**	31,289	25%
NET EARNINGS	**$ 70,518**	$ 58,693	20%
EARNINGS PER SHARE – BASIC	**$ 1.11**	$ 0.93	19%

For the fifth consecutive year, Toromont achieved double-digit revenue growth, with a year-over-year increase of 14%. The stronger Canadian dollar (up 8% in 2004) has reduced reported revenues by approximately $74 million for the year. Outstanding growth continued in the Compression Group with revenues up 32% on higher package sales and product support activity. Exclusive of the $25 million in rentals for the standby power project with the Province of Ontario in 2003, Equipment Group revenues were up 8% on higher machine sales, rentals and product support business.

Gross profit increased $38 million (14%), largely on higher revenues. Gross profit margin was 20.8%, in line with the prior year.

Selling and administrative expenses increased $19 million (11%), largely driven by the higher sales activity. Salaries, benefits and profit sharing costs were up $10 million, reflecting normal compensation adjustments, increased headcount and, in the case of profit sharing, higher earnings. The balance of the increase related to expenses such as warranty provisions, sales commissions and travel that fluctuate with activity levels. Selling and administrative expenses were 12.7% of revenues for the year compared to 13.1% in 2003.





Operating income was up 19% on stronger revenues and improvements in the expense ratio. Operating margins of 8.1% are up 0.4% compared to the prior year due to an improvement in the Equipment Group coupled with a higher proportion of Compression business overall.

Interest expense decreased year-over-year on lower average debt balances and a higher component of floating rate debt, which bears a lower interest rate. Interest income was also lower due to lower rates and lower interest-bearing balances.

The effective income tax rate for 2004 was 35.8% compared to the prior year's rate of 34.8%. In 2003, the Company realized one-time tax recoveries of $2.4 million (tax rate impact of 2.6%). Excluding this, the effective tax rate declined due to decreases in federal tax rates combined with a higher mix of earnings in lower tax jurisdictions.

BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those described in Note 1 of the consolidated financial statements. Management evaluates overall business segment performance based on top line revenue growth and operating income (earnings before interest expense, interest and investment income and income taxes) relative to revenues. Corporate office charges are allocated based on each segment's operating income. Interest expense and interest and investment income are not allocated.

The Equipment Group is engaged in selling, renting and servicing a broad range of construction equipment and industrial engines. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. Performance in this business segment is, among other factors, related to activity in the residential and commercial construction, infrastructure, road building, aggregates, waste management, steel, forestry, mining and agriculture industries. Other significant components of the Equipment Group include sales and product support activities for Caterpillar engines used in a variety of applications including on-highway trucks, industrial, commercial, marine and co-generation applications. The final component of the Equipment Group is a Sterling truck dealership that sells and services vocational trucks.

The Compression Group is a North American leader specializing in the design, engineering, fabrication and installation of compression systems for natural gas, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. All of these activities involve the compression of gases. Results in the Compression Group are influenced by conditions in the primary market segments served, spanning the chemical, petrochemical, natural gas and co-generation industries in addition to industrial markets including food and beverage processing, cold storage, food distribution and ice rink construction.

EQUIPMENT GROUP

Years ended December 31	2004	2003	% change
Equipment sales and rentals			
New	**$ 399,348**	$ 364,461	10%
Used	**118,962**	122,032	(3%)
Rental	**106,178**	118,712	(11%)
Total equipment sales and rentals	**624,488**	605,205	3%
Power generation	**11,175**	11,696	(4%)
Product support	**237,958**	218,425	9%
Total revenues	**$ 873,621**	$ 835,326	5%
Operating income	**$ 66,674**	$ 59,067	13%
% of revenues	**7.6%**	7.1%	
Capital expenditures	**$ 52,349**	$ 53,344	(2%)

Sales, rentals and product support business remained active in most markets through the end of 2004. Availability of some Caterpillar models continued to be a challenge and did result in some lost sales. Further, several transactions were pushed into 2005, pending delivery of equipment.

Revenues were up 5% for the year. Rental revenues in the prior year included $25 million from the Ontario standby power project. Excluding this, total revenues were up 8%. Revenue improvement was balanced, resulting from increases in machine sales, rental volumes and product support business.

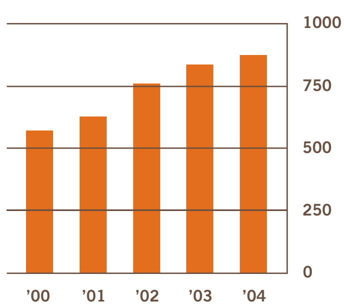
Notwithstanding the stronger Canadian dollar and supply constraints, new machine sales increased 10% year-over-year on higher unit volumes. The industrial and tractor segments, including compact construction equipment, reported higher revenues. Growth was driven by general construction, mining and aggregates.

Revenue from the sale of used equipment was down 3% for the year. Demand for used equipment varies depending on customer buying preferences, exchange rate considerations and product availability. Used inventory levels are closely managed and are approximately 10% lower than levels in the prior year.

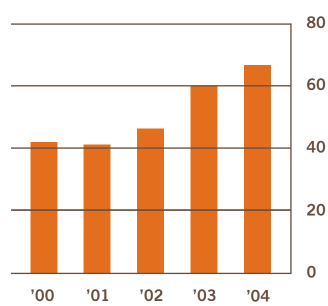
Exclusive of the standby power rentals to Ontario in 2003, rental revenue in 2004 was up 13%. The increase reflects improvements in rental rates and utilization, as well as the significant investments in rental fleet over the past two years.

Power generation revenues from Toromont-owned plants decreased 4% for the year as lower average electricity prices relative to natural gas costs reduced total production hours. Market conditions remain unfavourable for natural gas fired co-generation plants. Along with other independent power producers, the Company is attempting to negotiate long-term supply contracts with the Province of Ontario. Although the government has endorsed the role of co-generation in providing a reliable supply of electricity within the province, it is not possible to determine the outcome of these negotiations. The Company expects resolution to these negotiations later this year.

EQUIPMENT GROUP REVENUE ($ MILLIONS)



EQUIPMENT GROUP OPERATING INCOME ($ MILLIONS)



Product support activity remains strong, with a 9% increase for the year. This increase reflects higher service activity and several years' growth in the installed base of Caterpillar equipment.

Operating income increased 13% on higher volumes and gross margins. Operating income as a percentage of revenues improved to 7.6% compared with 7.1% in 2003 due to higher gross margins on machine sales and product support business, and improved fleet utilization on rental activities, offset by higher selling and administrative expenses.

Machine order backlog stood at record levels for this time of year, reflecting market share gains, strong bookings and orders not yet completed due to product availability.

Capital expenditures within the Equipment Group decreased $1 million in 2004. Capital expenditures included investments made with respect to new branch openings and expansions as well as significant additions to the rental fleet. Capital expenditures for 2005 are expected to be comparable to that in 2004.

COMPRESSION GROUP

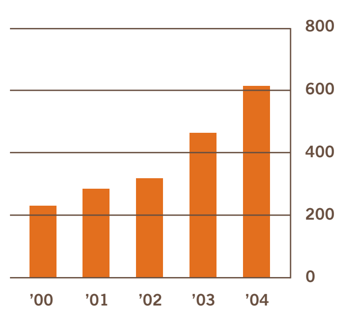
Years ended December 31	**2004**	2003	% change
Equipment package sales and rentals	**$ 489,178**	$ 354,849	38%
Product support	**124,539**	109,214	14%
Total revenues	**$ 613,717**	$ 464,063	32%
Operating income	**$ 53,515**	$ 41,523	29%
% of revenues	**8.7%**	8.9%	
Capital expenditures	**$ 13,259**	$ 19,578	(32%)

The Compression sector finished the year at all-time highs with respect to project completions. Revenues from natural gas and fuel gas compression, process refrigeration, and industrial and Canadian recreational packages set new thresholds.

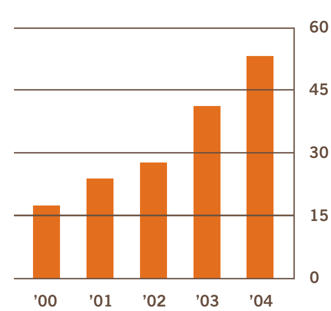
Revenues increased 32% on strong growth in both Process and Industrial package sales. Package sales benefited from robust domestic natural gas markets, driving natural gas compression package revenues up 50%. Refrigeration systems and fuel gas compression package sales were also strong. After a slow start to the year, the Industrial segment had a strong finish, on higher completions of Canadian recreational and industrial projects. International sales increased 41% in the year.

Product support revenues were up 14%, with double-digit growth in both Process and Industrial.

COMPRESSION GROUP REVENUE ($ MILLIONS)



COMPRESSION GROUP OPERATING INCOME ($ MILLIONS)



Operating income increased 29% on higher revenues and higher margins. Operating income as a percent of revenues declined year-over-year, reflecting the increased mix of natural gas packages relative to the higher margin process projects and product support business. Also, margins on reciprocating natural gas packages were somewhat lower in 2004, reflecting competitive bidding on several domestic orders. Margins on process refrigeration systems were lower than traditionally experienced as a result of some cost over-runs on three larger projects. Process margins are expected to improve in 2005.

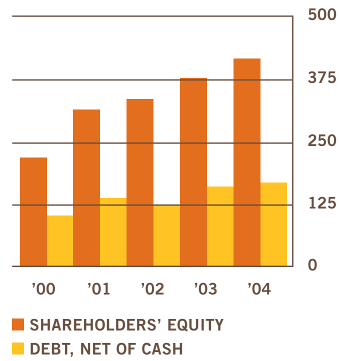
Booking activity was very strong in 2004. Compression Group backlog was down 5% (as 2003 included two large orders worth $50 million). Bookings and inquiries remained brisk through late 2004 and into early 2005.

Capital expenditures of $13 million were lower than the prior year. Expenditures in 2003 included the investment in a new manufacturing facility.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position. Net debt to equity at December 31, 2004 was .45:1 compared to .47:1 in the prior year. The Company renewed its Canadian credit arrangement in early 2004. The new three-year committed facility with a syndicate of four Canadian financial institutions is unsecured and permits drawings of up to $175 million, an increase of $45 million over the previous credit line. The Company remains well below its borrowing capacity, leaving room for further growth either organically or through acquisition.

CAPITAL
($ MILLIONS)



Total assets were $945 million at December 31, 2004 compared with $856 million at the end of 2003.

Outstanding Share Data – As at the date of this MD&A, the Company had 63,107,726 common shares outstanding.

Dividends – Toromont's practice is to maintain a quarterly dividend on its outstanding common shares of approximately 30% of the prior year's net earnings (excluding investment gains), giving consideration to earnings prospects, financial requirements and general economic circumstances. The Board of Directors and management review the dividend payout ratio on an ongoing basis. During 2004, dividends of 26 cents per common share were declared, representing 28% of the 2003 net earnings from operations. Subsequent to year end, the Board declared a quarterly dividend of 8 cents per common share, an increase of 23%, payable April 1, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity – Toromont obtains short-term financing through a combination of cash from operating activities and committed credit facilities. Credit facilities inclusive of bank lines, all of which are unsecured, amounted to $181 million at year end, of which $98 million was unutilized.

The Company obtains long-term financing through a variety of senior and other debentures and notes payable. At December 31, 2004, $96 million in term debt carried interest at fixed rates, at a weighted average rate of 7.15%, with varying maturities through to 2019, and $21 million carried interest at variable rates, averaging 2.8%, with maturities through 2010.

PRINCIPAL COMPONENTS OF CASH FLOW

Years ended December 31	2004	2003	% change
Cash provided by operating activities	**$ 60,309**	$ 83,604	(28%)
Cash used in investing activities	**(38,937)**	(109,470)	(64%)
Cash used in financing activities	**(21,372)**	(8,576)	149%
Total decrease in cash	**$ –**	$ (34,442)	n/m

Cash Flows from Operating Activities – Operating activities remain a major source of funds. In 2004, operating activities provided $60 million. Improvements in cash earnings were offset by increased investments in working capital.

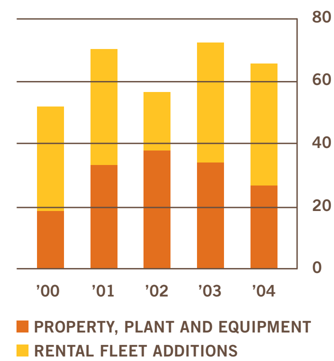
Working capital was $239 million, up from $204 million at December 2003. Accounts receivable were higher than the prior year, largely on increased sales volumes. Inventory levels were also up due to higher new equipment and parts held in light of current supply conditions within the Equipment Group. Inventory in the Compression Group was also higher on pre-ordering of major components to ensure availability and lower progress billings on projects in process.

In 2005, cash flows from operating activities are expected to be sufficient to fund anticipated capital investments.

Cash Flows from Investing Activities – Cash used in investing activities of $39 million was used for investments in capital assets and the completion of two business acquisitions previously noted. Toromont invested $33 million (net of proceeds on sale of rental and other capital assets) primarily for new rental equipment and other capital assets, including the construction of new Caterpillar dealership facilities in Winnipeg, Manitoba and Peterborough, Ontario. Significant investments in 2003 included the acquisition of Toromont Energy Systems Inc. (formerly Energy Industries), the completion of the new manufacturing facility in Calgary, Alberta, and the purchase of land and buildings at the Caterpillar dealership in Concord, Ontario.

Capital expenditures for property, plant and equipment in 2005 are expected to be maintained at 2004 levels. Investments in rental fleet are anticipated to continue at the current pace given current market conditions. New spending in power generation assets have been curtailed pending resolution of negotiations with the Province of Ontario with respect to existing facilities.

CAPITAL EXPENDITURES
($ MILLIONS)



Cash Flows from Financing Activities – Financing activities utilized $21 million for the year. Dividends of $16 million were $3 million higher than 2003, reflecting the higher dividend rate. Shares purchased for cancellation under the normal course issuer bid increased $16 million over the prior year.

In the year, 1,054,300 shares were purchased for $19.5 million (average price of $18.46 per share) and cancelled under the normal course issuer bid. The issuer bid was renewed effective August 31, 2004, allowing the Company to purchase up to 3,178,689 of its common shares during the 12-month period commencing on that date.

CONTRACTUAL OBLIGATIONS

Contractual obligations are set out in the following table. Management believes that these obligations will comfortably be met through cash generated from operations and the refinancing of existing short and long-term financing facilities.

	Payments due by Period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Long-term Debt	$ 187,047	$ 20,539	$ 97,086	$ 28,424	$ 40,998
Operating Leases	18,205	5,607	7,095	3,467	2,036
Total	$ 205,252	$ 26,146	$ 104,181	$ 31,891	$ 43,034

SELECTED ANNUAL INFORMATION

Thousands of dollars, except per share amounts	**2004**	2003	2002
Revenues	**$ 1,487,338**	$ 1,299,389	$ 1,076,930
Net earnings	**$ 70,518**	$ 58,693	$ 40,457
Per share – basic	**$ 1.11**	$ 0.93	$ 0.63
Per share – diluted	**$ 1.09**	$ 0.91	$ 0.62
Dividends per common share	**$ 0.26**	$ 0.21	$ 0.18
Total assets	**$ 944,814**	$ 856,176	$ 771,902
Long-term debt	**$ 187,047**	$ 176,990	$ 171,969
Shareholders' equity	**$ 415,855**	$ 376,837	$ 335,316

Revenue growth has been strong with year-over-year increases of 18%, 21% and 14% in 2002, 2003 and 2004 respectively. Strong organic growth was achieved in both operating segments on increases in machine and package sales, rental revenues and product support activities. Revenue growth has also been complemented by acquisitions. Toromont Energy Systems, acquired on January 1, 2003, contributed approximately $106 million to revenue in 2003.

Growth in net earnings excluding investment gains has also been strong, with year-over-year increases of 24%, 45% and 20% in 2002, 2003 and 2004 respectively. Earnings per share have grown in line with earnings growth. Improvements have been the result of higher sales volumes and margins in both operating segments, lower levels of general and administrative expenses relative to revenues and lower effective income tax rates.

Dividends have been paid consistently over the three-year period noted above with the rate of dividends increasing in line with growth in trailing earnings.

Total assets have increased over the three-year period noted above through acquisitions and investments in capital assets in target markets.

Long-term debt has remained fairly constant over the three-year period noted above, although it has decreased as a percent of shareholders' equity from 51% in 2002 to 45% in 2004.

Shareholders' equity has increased as a result of consistently strong earnings which more than offset dividends and common share repurchases.

QUARTERLY RESULTS

Thousands of dollars, except per share amounts	Q1	Q2	Q3	Q4	Year
2004					
Revenues	**$ 276,532**	**$ 411,357**	**$ 380,683**	**$ 418,766**	**$ 1,487,338**
Net earnings	**6,502**	**18,679**	**18,583**	**26,754**	**70,518**
Earnings per share					
Basic	**0.10**	**0.30**	**0.29**	**0.42**	**1.11**
Diluted	**0.10**	**0.29**	**0.29**	**0.41**	**1.09**
Dividends per share	**0.065**	**0.065**	**0.065**	**0.065**	**0.260**
2003					
Revenues	$ 260,600	$ 328,404	$ 331,859	$ 378,526	$ 1,299,389
Net earnings	4,439	13,459	16,353	24,442	58,693
Earnings per share					
Basic	0.07	0.21	0.26	0.39	0.93
Diluted	0.07	0.21	0.25	0.38	0.91
Dividends per share	0.050	0.050	0.055	0.055	0.210

Interim period revenues and earnings historically reflect some seasonality in both the Compression and Equipment Groups. The first quarter is typically the weakest due to winter shutdowns in the construction industry. The fourth quarter has historically been the strongest due to the completion of projects in the Compression Group and higher conversions of equipment on rent with a purchase option at the CAT dealership. The second and third quarter impacts of seasonality are relatively neutral.

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to operating and financial risks that may potentially impact its operating results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost effective basis.

Business Cycle – Expenditures on capital goods have historically been cyclical, reflecting a variety of factors including interest rates, consumer and business confidence, commodity prices, corporate profits, credit conditions and the availability of equity capital. Toromont's customers are typically affected, to varying degrees, by trends in the general business cycle within their respective markets. As a result, financial performance is affected by the impact of such business cycles on our customer base.

Sales are indirectly affected by fluctuations in commodity prices. Commodity price movements in the forestry, metals and petroleum sectors can have an impact on customers' demands for equipment and customer service.

Toromont's business is diversified across a wide range of industry market segments and geographic territories, serving to temper the effects of business cycles on consolidated results. Continued diversification through expansion of the customer base, broadening of the product offering and geographic diversification will further moderate business cycle impacts. Across both operating segments, the Company has focused on the sale of specialized equipment and ongoing support through parts distribution and skilled service. Product support growth has been, and will continue to be, fundamental to mitigation of downturns in the business cycle. The product support business contributes significantly higher profit margins and is subject to less volatility than equipment supply activities.

Product and Supply – The Equipment Group purchases most of its equipment inventories and parts from Caterpillar under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar for over a decade and management expects this will continue going forward.

Toromont is dependent on the continued market acceptance of Caterpillar's products. It is believed that Caterpillar has a solid reputation as a high quality manufacturer, with excellent brand recognition and customer support and high market share in many of the markets it serves.

Toromont is also dependent on Caterpillar for timely supply of equipment and parts. From time to time, during periods of intense demand, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment in the conduct of business. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by our customers. Further, product supply could also be disrupted by potential labour disputes or strike action at Caterpillar.

Competition – Both the Equipment and Compression Groups compete with a large number of international, national, regional and local suppliers. Although price competition can be strong, there are a number of factors that have enhanced the Company's ability to compete throughout its market areas, including: the range and quality of products and services; ability to meet sophisticated customer requirements; distribution capabilities including number and proximity of locations; financial services offered by Caterpillar Finance; e-commerce solutions, reputation and financial strength.

Credit Risk – The Company has a large diversified customer base, and is not dependent on any single customer or group of customers. Toromont also has credit exposure arising from foreign exchange and interest rate derivative contracts. This risk is minimized by ensuring there is no excessive concentration of credit risk with any single counterparty and by dealing only with highly rated financial institutions.

Warranties and Maintenance Contracts – Toromont provides warranties for most of the equipment it sells, typically for a one-year period following sale. The warranty claim risk is generally shared jointly with the equipment manufacturer. Accordingly, liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts.

The Company also enters into long-term maintenance and repair contracts, whereby it is obligated to maintain equipment for its customers. The length of these contracts varies generally from two to five years. The contracts are typically fixed price with provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that maintenance costs may exceed estimate, thereby resulting in a loss on the contract. These contracts are closely monitored for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold.

Foreign Exchange – The Equipment Group sources the majority of its products from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company mitigates exchange rate risk by entering into foreign currency contracts to fix the cost of imported inventory where appropriate. In addition, pricing to customers is generally adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

The Compression Group purchases components from suppliers in the United States. Entering into foreign currency contracts to fix the cost of imported inventory, where appropriate, reduces exchange rate risk.

Fluctuations in the value of the U.S. dollar relative to the Canadian dollar also has some impact on Toromont's consolidated financial reporting, with the financial results of subsidiaries in the United States being translated into Canadian dollars upon consolidation. However, such exchange rate fluctuations have historically not been material relative to the overall earnings or financial position.

Interest Rate – Interest rate risk arises from potential changes in interest rates and the impact on the cost of borrowing. Floating rate debt exposes the Company to fluctuations in short-term interest rates, while fixed rate debt exposes it to future interest rate movements upon the debt's maturity. Balancing the portfolio of short-term credit facilities at floating rates and medium and long-term debt at fixed rates has reduced interest rate risk. In addition, the Company will from time to time enter into interest rate swap agreements to manage its current and anticipated exposure to interest rates. Market conditions and the impact of interest rate fluctuations on its fixed/floating interest rate exposure are monitored closely.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Toromont's significant accounting policies are described in Note 1 to the consolidated financial statements. The most critical of these policies are those related to revenue recognition, and property, plant and equipment. Each policy involves a number of estimates and assumptions made by management. Different accounting policies, or changes to estimates or assumptions, could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. These critical accounting policies and estimates are described below.

Revenue Recognition – Toromont, primarily through the Compression Group, generates a significant portion of its revenue from projects for the supply of equipment packages. Revenues and profits on these projects are recognized using the completed contract method based on substantial completion. Revenues and costs are not recognized on the income statement until the project is substantially complete. This method has been chosen in order to conservatively record profits, given the inherent uncertainty in accurately estimating profitability during the earlier stages of any particular project. The majority of projects are in actual construction for a period of three months or less.

Valuation of Capital Assets – Valuations of capital assets are reviewed on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are measured as the amount by which the carrying value of an asset or asset group exceeds its fair value.

Capital assets comprise 32% of total assets, including 4% representing power generation assets. Given the volatile nature of electricity and fuel prices in recent periods, and the uncertainty with respect to market deregulation and the Ontario Government's energy policy, these assets are carefully monitored. Assumptions that significantly impact expected cash flows of power generation assets, including future prices of electricity, costs of fuel, and operating hours over the estimated life of the plants, require considerable judgment. Actual results could differ significantly from management's estimates.

A significant amount of the Company's assets include property, plant and equipment and rental equipment. These assets are depreciated over their estimated useful lives, determined based on current circumstances and past experience. The rates and methodologies used are reviewed on an ongoing basis to ensure they continue to be appropriate.

ACCOUNTING STANDARDS IMPLEMENTED IN 2004

Effective January 1, 2004, the Company implemented the new Canadian accounting standard in Section 3870 – "Stock-based Compensation and Other Stock-based Payments". The revised standard requires the recognition of expense for all employee stock-based compensation transactions and eliminates the option to disclose the pro-forma effect of such transactions on net earnings and basic net earnings per common share in the notes to the consolidated financial statements. The Company has implemented this standard retroactively and has restated all prior periods presented. The effect of the change was to reduce retained earnings on January 1, 2004 by $2.5 million and reduce net earnings for 2004 by $2.1 million (2003 – $1.5 million).

Accounting Guideline 13 – "Hedging Relationships" – was implemented on January 1, 2004. This guideline addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. There was no financial statements impact of implementing this guideline.

In June 2004, the Company implemented the amendments to the disclosure requirements in Section 3461 – "Employee Future Benefits". The amendments are intended to provide greater transparency in the accounting for employee future benefits and to enable increased understanding by users of the effects of defined benefit plans on financial statements. These additional disclosures can be found in Note 13 to the consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accountants issued several new accounting pronouncements which the Company will be required to adopt in the future. The Company closely monitors changes in accounting standards and is assessing the impact, if any, on its consolidated financial statements of the following pronouncements:

> Accounting Guideline 15 – "Consolidation of Variable Interest Entities". The Guideline requires enterprises to identify VIEs in which they have an interest, determine whether they are the primary beneficiary of such entities and, if so, to consolidate them. A VIE is an entity in which a) the equity is not sufficient to permit that entity to finance its activities without external support; or b) equity investors lack either voting control, an obligation to absorb expected losses, or the right to receive expected residual returns. This guideline is effective for fiscal years beginning on or after November 1, 2004. Adoption of the new guideline is not expected to have a significant impact on the consolidated financial statements.

> Two proposals relating to financial instruments are expected to be issued by the CICA in early 2005 (Section 3855 – "Financial Instruments – Recognition and Measurement" and 3865 – "Hedges"). In conjunction with these proposals Section 1530 – "Comprehensive Income" has been approved but is not yet applicable. The new standards will more comprehensively address when to recognize financial instruments on the balance sheet, how to measure them, how to account for gains and losses, and when and how to apply hedge accounting. The new sections are expected to be issued for comment in 2005 with effective dates in late 2006.

OUTLOOK

The economic outlook for North America continues to be relatively positive. The improved balance in the Company's products and markets, combined with increased after-market activity should allow it to weather short-term weaknesses in any particular industry. The Compression Group is expected to continue to be busy given current market conditions and natural gas prices. While the Equipment Group has experienced some product supply constraints due to longer delivery schedules, customers' equipment needs have largely been covered. Product support businesses should continue to benefit from the larger installed base of equipment.

We look to another successful year in 2005.

MANAGEMENT'S REPORT

The preparation and presentation of the Company's consolidated financial statements is the responsibility of management. The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include estimates, which are based on management's best judgments. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

Ernst & Young LLP, an independent firm of Chartered Accountants, were appointed by the shareholders as external auditors to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of independent directors, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. It meets regularly with financial management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. The independent auditors have unrestricted access to the Audit Committee. The consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in this Annual Report, based on the review and recommendation of the Audit Committee.

Hugo T. Sørensen

Hugo T. Sørensen
President and
Chief Executive Officer

Wayne S. Hill
Executive Vice President and
Chief Financial Officer

Toronto, Ontario
January 31, 2005

AUDITORS' REPORT

To the Shareholders of Toromont Industries Ltd.:

We have audited the consolidated balance sheets of Toromont Industries Ltd. as at December 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Toronto, Ontario
January 31, 2005

CONSOLIDATED BALANCE SHEETS

As at December 31 $ thousands	2004	2003
ASSETS		
Current assets		
Accounts receivable	**$ 257,459**	$ 221,738
Inventories (note 4)	**307,276**	263,127
Future income taxes (note 14)	**12,278**	12,662
Other current assets (note 8)	**10,100**	10,950
Total current assets	**587,113**	508,477
Property, plant and equipment (note 5)	**186,811**	185,235
Rental equipment (note 6)	**110,834**	107,976
Goodwill (note 7)	**34,800**	34,350
Other assets (note 8)	**25,256**	20,138
Total Assets	**$ 944,814**	$ 856,176
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 314,798**	$ 273,568
Current portion of long-term debt (note 9)	**20,539**	17,296
Income taxes payable	**13,253**	14,036
Total current liabilities	**348,590**	304,900
Long-term debt (note 9)	**166,508**	159,694
Accrued pension liability (note 13)	**5,860**	5,007
Future income taxes (note 14)	**8,001**	9,738
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**102,719**	99,785
Contributed surplus (note 2)	**4,484**	2,455
Retained earnings	**313,615**	277,361
Cumulative translation adjustment	**(4,963)**	(2,764)
Total shareholders' equity	**415,855**	376,837
Total Liabilities and Shareholders' Equity	**$ 944,814**	$ 856,176

See accompanying notes

On behalf of the Board:

Robert M. Ogilvie
Director

John S. McCallum
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31 $ thousands, except share amounts	2004	2003
REVENUES	$ 1,487,338	$ 1,299,389
Cost of goods sold	1,178,081	1,028,410
Gross profit	309,257	270,979
Selling and administrative expenses	189,068	170,389
OPERATING INCOME	120,189	100,590
Interest expense (note 9)	12,360	13,276
Interest and investment income	(1,936)	(2,668)
Income before income taxes	109,765	89,982
Income taxes (note 14)	39,247	31,289
NET EARNINGS	$ 70,518	$ 58,693
EARNINGS PER SHARE (note 15)		
Basic	$ 1.11	$ 0.93
Diluted	$ 1.09	$ 0.91
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	63,462,156	63,407,584

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31 $ thousands	2004	2003
Retained earnings, beginning of year, as reported	$ 279,816	$ 235,639
Change in accounting policy (note 2)	(2,455)	(918)
Retained earnings, beginning of year, as restated	277,361	234,721
Net earnings	70,518	58,693
Dividends	(16,486)	(13,319)
Shares purchased for cancellation	(17,778)	(2,734)
Retained earnings, end of year	$ 313,615	$ 277,361

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 $ thousands	2004	2003
OPERATING ACTIVITIES		
Net earnings	**$ 70,518**	$ 58,693
Items not requiring cash and cash equivalents		
Depreciation	**42,756**	39,423
Stock-based compensation	**2,128**	1,537
Accrued pension liability	**853**	(168)
Future income taxes	**(486)**	(1,319)
Gain on sale of rental equipment and property, plant and equipment	**(7,682)**	(6,477)
	108,087	91,689
Change in non-cash working capital and other		
Accounts receivable	**(32,043)**	(26,200)
Inventories	**(43,863)**	2,455
Accounts payable and accrued liabilities	**37,148**	22,074
Other	**(9,020)**	(6,414)
Cash provided by operating activities	**60,309**	83,604
INVESTING ACTIVITIES		
Additions to rental equipment	**(39,133)**	(34,508)
Additions to property, plant and equipment	**(26,475)**	(38,414)
Business acquisitions (note 3)	**(6,836)**	(61,303)
Decrease in other assets	**1,258**	701
Sale of rental equipment	**27,452**	22,630
Sale of property, plant and equipment	**4,797**	1,424
Cash used in investing activities	**(38,937)**	(109,470)
FINANCING ACTIVITIES		
Increase in term credit facility debt	**19,590**	20,511
Issue of other long-term debt	**8,925**	–
Repayment of other long-term debt	**(18,458)**	(15,490)
Dividends	**(16,486)**	(13,319)
Shares purchased for cancellation	**(19,468)**	(3,199)
Shares issued on exercise of options	**4,525**	2,921
Cash used in financing activities	**(21,372)**	(8,576)
Decrease in cash and cash equivalents	**–**	(34,442)
Cash and cash equivalents at beginning of year	**–**	34,442
Cash and cash equivalents at end of year	**$ –**	$ –
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	**$ 12,215**	$ 12,992
Income taxes paid	**$ 41,685**	$ 29,277
Capital asset additions included in accounts payable and accrued liabilities	**$ 5,733**	$ 4,211

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004
$ thousands except where otherwise indicated

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Toromont Industries Ltd. and its subsidiaries (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates. The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Estimates are used in accounting for items and matters such as long-term contracts, allowance for uncollectible accounts receivable, inventory obsolescence, product warranty, depreciation, asset valuations, employee benefits and taxes.

Revenue Recognition. Revenue recognition includes obtaining a written arrangement with the customer, which is in the form of a contract or purchase order, establishing a fixed or determinable sales price with the customer whereby ultimate collection of the revenue is reasonably assured. Revenue is recognized as performance requirements are achieved in accordance with the following:

a) Revenues from the supply of equipment systems involving design, manufacture and installation are recorded on the completed contract method based upon substantial completion. Any foreseeable losses on such projects are charged to operations when determined.
b) Revenues from the sale of equipment is recorded when goods are shipped to the customer, at which time title to the equipment and significant risks of ownership have passed.
c) Revenues from equipment rentals are recognized in accordance with the terms of the relevant agreement with the customer, generally on a straight-line basis over the term of the agreement.
d) Revenue from product support services includes sales of parts and servicing of equipment. For the sale of parts, revenue is recognized when the part is shipped to the customer. For servicing of equipment, revenue is recognized as the service work is completed and billed.
e) Revenue on extended warranty and long-term maintenance contracts is recognized on a percentage of completion basis proportionate to the service work that has been performed based on the parts and labour service provided. At the completion of the contract, any remaining profit on the contract is recognized as revenue. Any losses estimated during the term of the contract are recognized when identified.

Translation of Foreign Currencies. Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the time of the transaction, unless the transaction is hedged. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. Non-monetary items are translated at historical rates. All exchange gains and losses are included in earnings.

Foreign subsidiaries are financially and operationally self-sustaining. Accordingly, their assets and liabilities are translated into Canadian funds at the year-end exchange rates. Revenue and expense items are translated at average exchange rates for the year. The foreign exchange impact of these translations is included in the cumulative translation adjustment account in shareholders' equity.

Derivative Financial Instruments. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes.

Foreign exchange forward contracts and options are identified as a hedge of commitments with realized gains and losses being included in the cost of the underlying hedged item. Unrealized gains and losses on currency forwards are not recognized.

The interest rate swap is identified as a hedge against interest rate fluctuations because it offsets the interest rate exposure on the underlying hedged item. The exchange of interest payments on the interest rate swap is recognized on an accrual basis over the life of the contract as an adjustment to interest expense. Unrealized gains and losses are not recognized.

Income Taxes. The Company uses the liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net earnings in the period that includes the date of substantive enactment.

Stock-Based Compensation. The Company uses the fair value method of accounting for stock options. The fair value of option grants is calculated using the Black-Scholes option pricing model and recognized as compensation expense over the vesting period of those grants. A corresponding adjustment is recorded through contributed surplus. On the exercise of stock options, the consideration paid by the employee and the related amounts in contributed surplus are credited to common share capital.

Employee Future Benefits. For defined contribution plans, which cover the majority of employees, the pension expense recorded in earnings is the amount of contributions the Company is required to pay in accordance with the terms of the plan. For defined benefit plans, which cover approximately 7% of employees, the Company accrues its obligations and the related costs, net of plan assets. The Company has adopted the following policy for its defined benefit plans:

- The cost of pensions earned by employees is actuarially determined using the projected unit credit method pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of December 31;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendments;
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees.

Earnings per Share ("EPS"). Basic EPS is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated using the treasury stock method, which assumes that all outstanding stock option grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year.

Cash and Cash Equivalents. Cash and cash equivalents, including cash on account, demand deposits and short-term investments with original maturities of three months or less are recorded at cost, which approximates market value.

Inventories. Equipment inventories, repair and distribution parts, and work-in-process are recorded at the lower of cost and net realizable value. Cost for serialized inventory is determined on a specific item basis. Cost for non-serialized inventory is determined based on weighted average actual cost. Direct materials are recorded at the lower of cost and replacement cost.

Rental Equipment. Rental equipment is recorded at cost. Rental equipment is depreciated over its estimated useful life on a straight-line basis. Estimated useful lives range from 1 to 10 years.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. Depreciation is recognized principally on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Estimated useful lives range from 20 to 30 years for buildings, 3 to 10 years for equipment and 20 years for power generation assets.

Impairment of Long-lived Assets. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are measured as the amount by which the carrying value of an asset group exceeds its fair value, as determined by the discounted future cash flows of the asset group.

Comparative Amounts. Certain prior year's information was reclassified to conform with the current year's presentation.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the Company adopted the fair value method of accounting for employee stock options under the Canadian Institute of Chartered Accountants Handbook Section 3870 – "Stock-based Compensation and Other Stock-based Payments". This change in accounting policy has been applied to all stock options granted in 2002 and subsequent years, applied on a retroactive basis with restatements of prior periods. The effect of the change was to reduce net earnings for 2004 by $2,128 (2003 – $1,537 or 2 cents per share). Opening retained earnings for 2003 was reduced by $918 reflecting the cumulative effect of stock options granted since January 1, 2002.

3. BUSINESS ACQUISITIONS

Effective December 1, 2004, the Company purchased (a) Access Rentals and Supply Limited, a privately owned rental operator based in Sudbury, Ontario, and (b) Engineered Refrigeration Systems, Inc., a privately owned industrial refrigeration company based in Mobile, Alabama.

In 2003, the shares of Energy Industries Inc. were purchased for $60 million. The Company also purchased certain assets of Diesel Distribution Inc. and the remaining 50% interest in certain power generation assets.

The acquisitions were accounted for using the purchase method which allocates the purchase price of a business to the assets acquired and the liabilities assumed based on their fair value at date of acquisition, with any excess recognized as goodwill. The results of the companies acquired are included in the consolidated financial statements from date of acquisition.

Details of the business acquisition purchase equations, including cash consideration paid and the net assets acquired at their fair values, are as follows:

	2004	2003
Cash	**$ 542**	$ –
Non-cash working capital	**1,463**	23,160
Property, plant and equipment	**444**	3,299
Rental equipment	**4,183**	16,140
Goodwill	**450**	21,350
Future income taxes	**296**	(2,646)
Total investment	**$ 7,378**	$ 61,303
Less: assumed debt	**(3,424)**	(434)
Purchase price	**$ 3,954**	$ 60,869

Goodwill does not include any amounts that are deductible for tax purposes.

4. INVENTORIES

	2004	2003
Equipment	**$ 196,325**	$ 174,614
Repair and distribution parts	**60,642**	58,025
Direct materials	**14,287**	12,318
Work-in-process	**53,207**	56,637
Progress billings and deposits	**(17,185)**	(38,467)
	$ 307,276	$ 263,127

5. PROPERTY, PLANT AND EQUIPMENT

			2004			2003
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Land	**$ 35,745**	**$ –**	**$ 35,745**	$ 36,111	$ –	$ 36,111
Buildings	**104,076**	**27,877**	**76,199**	97,206	24,366	72,840
Equipment	**114,489**	**74,501**	**39,988**	102,780	63,862	38,918
Power generation	**44,565**	**9,686**	**34,879**	44,860	7,494	37,366
	$ 298,875	**$ 112,064**	**$ 186,811**	$ 280,957	$ 95,722	$ 185,235

The carrying amount of long-lived assets is reviewed when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. The Company, amongst other independent power producers, is attempting to negotiate long-term supply contracts with the Province of Ontario for its natural gas-fired co-generation plants. Although the government has endorsed the role of co-generation in providing a reliable supply of electricity within the province, it is not possible to determine the outcome of these negotiations. The Company expects resolution to these negotiations during 2005.

6. RENTAL EQUIPMENT

	2004	2003
Cost	**$ 182,557**	$ 171,519
Less: Accumulated depreciation	**71,723**	63,543
	$ 110,834	$ 107,976

7. GOODWILL

Changes in the carrying value of goodwill were as follows:

	Equipment Group	**Compression Group**	**2004 Total**	2003 Total
Goodwill, beginning of year	**$ 13,000**	**$ 21,350**	**$ 34,350**	$ 13,000
Goodwill acquired during the year	**–**	**450**	**450**	21,350
Goodwill, end of year	**$ 13,000**	**$ 21,800**	**$ 34,800**	$ 34,350

Goodwill is tested annually for impairment. The Company has performed the annual goodwill impairment tests and determined that there was no impairment to the carrying value of goodwill.

8. OTHER ASSETS

Other current assets and other long-term assets include $5,210 (2003 – $3,773) and $23,413 (2003 – $17,037) respectively, representing equipment sold directly to customers or to third-party lessors for which the Company has provided a guarantee to repurchase, at a predetermined residual value and date, in the event the customer decides not to retain the equipment or, in the case of a lease, not to purchase the equipment at the end of the lease term. In accordance with GAAP, such transactions that involve a repurchase undertaking by the Company, or other contingent obligation similar to the guarantee of lease residuals, are accounted for as operating leases, wherein revenue is recognized over the period extending to the date of the residual value guarantee.

9. LONG-TERM DEBT

	2004	2003
Drawn on bank term facility (a)	**$ 70,101**	$ 50,511
Senior debentures (b)	**97,175**	100,000
Notes payable (c)	**19,771**	26,479
Total long-term debt	**187,047**	176,990
Less current portion	**20,539**	17,296
	$ 166,508	$ 159,694

All debt is unsecured.

a) The Company maintains $181 million (2003 – $182 million) in bank credit, provided through committed credit facilities, maturing in 2007. Bank borrowings bear interest at rates ranging from prime to bankers acceptance rates. Standby letters of credit issued in lieu of holdbacks utilized an additional $13.3 million of the credit lines at December 31, 2004 (2003 – $16.2 million).

b) Terms of the senior and other debentures are:
- $27.2 million, 8.17% senior debentures due September 18, 2008, blended principal and interest payments semi-annually from September 18, 2004 through to maturity.
- $45 million, 6.80% senior debentures due March 29, 2011, interest payable semi-annually through March 29, 2007; thereafter, blended principal and interest payments through to maturity.
- $15 million, 7.06% senior debentures due March 29, 2019, interest payable semi-annually through September 29, 2009; thereafter, blended principal and interest payments through to maturity.
- $10 million debenture maturing in 2010 bearing interest at prime plus 0.4%, monthly interest payments through to maturity.

c) Notes payable mature from 2005 to 2008 and bear interest at rates ranging from 1.73% to 7.75%.

The above credit arrangements include covenants, restrictions and events of default usual in credit facilities of this nature, including requirements to meet certain financial tests periodically and restrictions on additional indebtedness and encumbrances.

Scheduled principal repayments of long-term debt are as follows:

2005	$ 20,539
2006	8,704
2007	88,382
2008	17,684
2009	10,740
2010 to 2019	40,998
	$ 187,047

Interest expense includes interest on debt initially incurred for a term greater than one year of $11,837 (2003 – $11,751).

10. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares and preferred shares. No preferred shares have been issued.

The changes in the common shares issued and outstanding during the year were as follows:

	2004		2003	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of year	**63,563,246**	**$ 99,785**	63,455,146	$ 97,329
Exercise of stock options	**573,640**	**4,624**	410,900	2,921
Purchase of shares for cancellation	**(1,054,300)**	**(1,690)**	(302,800)	(465)
Balance, end of year	**63,082,586**	**$ 102,719**	63,563,246	$ 99,785

On April 14, 2004, the Company effected a two for one stock split by way of a stock dividend. All share amounts, including stock options and per share amounts, disclosed in the consolidated financial statements have been retroactively adjusted to give effect to the stock dividend.

11. FINANCIAL INSTRUMENTS

Hedging activities are contracted with Canadian Schedule A chartered banks as counterparties. There is no significant concentration of credit risk with counterparties.

Transactions are limited to the following:

Foreign Exchange Contracts. In the normal course of business, foreign exchange contracts and options are entered into with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. Gains and losses arising from these contracts offset the foreign exchange losses and gains from the underlying hedged transactions. Forward exchange contracts in Euros and U.S. dollars (all maturing in 2005) at December 31, 2004 are as follows:

		Notional Amount	Average Exchange Rate
Purchase contracts	USD	89,779	$ 1.2641
Sales contracts	USD	3,765	$ 1.2103
	EUR	2,472	$ 1.6478

Interest Rate Swap Contract. An interest rate swap is held which converts $30 million (2003 – $30 million) of floating rate debt into fixed rate debt at 5.88%. This transaction is with a Canadian chartered bank and matures September 1, 2008. This swap partially offsets exposure to Canadian floating interest rates.

Fair Value of Financial Instruments. The following methods and assumptions have been used to estimate the fair value of the financial instruments:

- Accounts receivable and accounts payable and accrued liabilities are valued at their carrying amounts on the balance sheet, which represent an appropriate estimate of their fair values due to their near-term maturities;
- Senior debentures and notes payable are valued based on discounted cash flows using current interest rates for debt with similar terms and remaining maturities. The Company has no plans to prepay these instruments prior to maturity;
- The interest rate swap reflects the present value of the potential loss if settlement were to take place at the balance sheet date; and
- Foreign exchange contracts are represented by the estimated amounts that the Company would receive or pay to settle the contracts at the balance sheet date.

The fair value and the carrying amount of the financial instruments as at December 31 is as follows:

	2004		2003	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Senior debentures	**$ 104,797**	**$ 97,175**	$ 106,992	$ 100,000
Notes payable	**$ 19,251**	**$ 19,771**	$ 26,254	$ 26,479
Foreign exchange contracts	**$ (5,538)**	**$ –**	$ (3,257)	$ –
Interest rate swap contract	**$ (2,450)**	**$ –**	$ (2,467)	$ –

12. STOCK-BASED COMPENSATION PLAN

The Company maintains an Executive Stock Option Plan for certain employees. Under the plan, options may be granted for up to 5,840,000 common shares. Stock options have a seven-year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

A reconciliation of the outstanding options is as follows:

	2004 Number of Options	2004 Weighted Average Exercise Price	2003 Number of Options	2003 Weighted Average Exercise Price
Options outstanding, beginning of year	**2,895,820**	**$ 8.76**	2,750,400	$ 8.05
Granted	**565,340**	**16.59**	581,120	10.68
Exercised	**(573,640)**	**7.70**	(410,900)	6.76
Forfeited	**(38,350)**	**12.86**	(24,800)	8.04
Options outstanding, end of year	**2,849,170**	**$ 10.47**	2,895,820	$ 8.76
Options exercisable at year-end	**1,234,124**	**$ 8.26**	1,311,580	$ 7.81

The following table summarizes stock options outstanding and exercisable at December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
$7.085 – $8.265	**1,253,220**	**2.1**	**$ 7.62**	**956,900**	**$ 7.56**
$10.275 – $16.585	**1,595,950**	**5.1**	**12.70**	**277,224**	**10.66**
Total	**2,849,170**	**3.8**	**$ 10.47**	**1,234,124**	**$ 8.26**

The fair value of each stock option granted is estimated on the date of grant. The weighted average fair value price of options granted during the year was $5.22 (2003 – $4.12). The fair value of the stock options was determined using the Black-Scholes option pricing model with the following assumptions:

	2004	2003
Expected life of options (years)	**5.6**	5.4
Expected stock price volatility	**25.0%**	34.0%
Expected dividend yield	**1.6%**	1.9%
Risk-free interest rate	**3.6%**	4.2%

13. EMPLOYEE FUTURE BENEFITS

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in Company-sponsored plans, and contributions are made to these union-sponsored plans in accordance with respective collective bargaining agreements. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document.

Approximately 7% of participating employees are included in defined benefit plans.

a) Powell Plan – Consists of personnel of Powell Equipment (acquired by Toromont in 2001). The plan is a contributory plan which provides pension based on length of service and career average earnings. The most recent actuarial valuation of the plan was completed as at December 31, 2003. The next valuation is scheduled for December 31, 2006.

b) Executive Plan – This is a non-contributory pension arrangement for certain senior executives which provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. The most recent actuarial valuation of the plan was completed as at January 1, 2004. The next valuation is scheduled for January 1, 2007.

c) Other plan assets and obligations – This provides for certain retirees and terminated vested employees of businesses previously acquired by the Company as well as for retired participants of the defined contribution plan that, in accordance with the plan provisions, have elected to receive a pension directly from the plan. The most recent actuarial valuation of the plan was completed on January 1, 2003. The next valuation is scheduled for January 1, 2006.

The changes in the fair value of assets and the pension obligations and the funded status of the defined benefit plans were as follows:

	2004	2003
ACCRUED BENEFIT OBLIGATIONS		
Balance, beginning of year	**$ 48,954**	$ 44,906
Other plan obligations	**8,282**	–
Service cost	**2,432**	1,938
Interest cost	**3,814**	2,915
Actuarial loss	**7,330**	1,626
Benefits paid	**(4,089)**	(2,431)
Balance, end of year	**$ 66,723**	$ 48,954
PLAN ASSETS		
Fair value, beginning of year	**$ 39,086**	$ 35,028
Other plan assets	**10,942**	–
Actual return on plan assets	**4,590**	3,878
Company contributions	**2,051**	2,042
Participant contributions	**552**	569
Benefits paid	**(4,089)**	(2,431)
Fair value, end of year	**$ 53,132**	$ 39,086
FUNDED STATUS OF THE PLANS	**$ (13,591)**	$ (9,868)
Unrecognized actuarial loss	**10,096**	4,861
Unrecognized past service benefit	**(2,365)**	–
ACCRUED PENSION LIABILITY	**$ (5,860)**	$ (5,007)

The accrued net pension liability of $5.9 million includes a $4.5 million prepaid pension asset related to the Powell Plan and other plan assets and obligations. It also includes a $10.4 million liability related to the defined benefit arrangement for senior executives, specifically, the supplementary portion of the liability that exists outside of the registered plan. The Company expenses the costs of these plans with cash funding limited to the maximum amount according to pension regulations.

The significant annual actuarial assumptions adopted in measuring the accrued benefit obligations were as follows:

	2004	2003
Discount rate	**5.75%**	6.00%
Expected long-term rate of return on plan assets	**7.00%**	7.00%
Rate of compensation increase	**4.25%**	4.00%

The allocation of plan assets is as follows:

	2004	2003
Equity securities	**43.7%**	42.1%
Debt securities	**41.7%**	42.9%
Real estate	**11.8%**	14.7%
Cash and cash equivalents	**2.8%**	0.3%

Plan assets include Toromont common shares with a market value of $708,000 at December 31, 2004 (2003 – $824,000).

The net pension expense for the years ended December 31 included the following components:

	2004	2003
Defined Benefit Plans		
Service cost	**$ 1,880**	$ 1,369
Interest cost	**3,814**	2,915
Actual return on plan assets	**(4,590)**	(3,878)
Prior service benefits	**(2,660)**	–
Actuarial loss	**7,337**	1,635
Difference between actual and expected return on assets	**1,125**	1,420
Difference between actual and recognized actuarial loss	**(6,367)**	(1,588)
Difference between actual and recognized past service benefits	**2,365**	–
	2,904	1,873
Defined Contribution Plans	**4,879**	3,920
401(k) matched savings plan	**350**	358
Net expense	**$ 8,133**	$ 6,151

The total cash amount paid or payable for employee future benefits in 2004 was $7.4 million (2003 – $6.4 million).

14. INCOME TAXES

Significant components of the provision for income tax expense are as follows:

	2004	2003
Current income tax expense	**$ 39,733**	$ 32,608
Future income tax recovery	**(486)**	(1,319)
Total income tax expense	**$ 39,247**	$ 31,289

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows:

	2004	2003
Statutory Canadian federal and provincial income tax rates	**36.12%**	36.62%
Expected taxes on income	**$ 39,647**	$ 32,951
Increase (decrease) in income taxes resulting from:		
Higher (lower) effective tax rates at foreign subsidiaries	**20**	(101)
Manufacturing and processing rate reduction	**(231)**	(657)
Large corporation tax	**203**	298
Non-taxable gains	**(123)**	(110)
Tax benefit of losses not previously recognized	**–**	(1,406)
Effect of income tax rate changes	**–**	950
Other	**(269)**	(636)
Provision for income taxes	**$ 39,247**	$ 31,289
Effective income tax rate	**35.8%**	34.8%

The income tax effects of temporary differences that gave rise to significant portions of the future income tax assets and future income tax liabilities were as follows:

	2004	2003
CURRENT FUTURE INCOME TAX ASSETS		
Accrued liabilities	**$ 9,653**	$ 8,475
Deferred revenue	**5,368**	6,498
Accounts receivable	**2,075**	1,739
Inventories	**(4,818)**	(4,050)
	$ 12,278	$ 12,662
NON-CURRENT FUTURE INCOME TAX LIABILITIES		
Capital assets	**$ 9,404**	$ 12,770
Other	**(1,403)**	(3,032)
	$ 8,001	$ 9,738

15. BASIC AND DILUTED NET EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share.

	2004	2003
Net earnings available to common shareholders	**$ 70,518**	$ 58,693
Weighted average common shares outstanding	**63,462,156**	63,407,584
Dilutive effect of stock option conversion	**1,193,443**	836,068
Diluted weighted average common shares outstanding	**64,655,599**	64,243,652
Basic earnings per common share ($)	**$ 1.11**	$ 0.93
Dilutive effect of stock option conversion ($)	**(0.02)**	(0.02)
Diluted earnings per common share ($)	**$ 1.09**	$ 0.91

16. COMMITMENTS

Certain land, buildings and equipment are leased under several non-cancellable operating leases that require minimum annual payments as follows:

2005	$ 5,607
2006	4,190
2007	2,905
2008	1,985
2009	1,482
2010 and thereafter	2,036
	$ 18,205

17. SEGMENTED INFORMATION

The Company has two reportable operating segments, each supported by the corporate office. The business segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the business segments. Corporate overheads are allocated to the business segments based on operating income.

The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression Group is a North American leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities.

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies. Each reportable operating segment's performance is measured based on operating income. No reportable operating segment is reliant on any single external customer.

	Equipment Group		Compression Group		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
Revenues	**$ 873,621**	$ 835,326	**$ 613,717**	$ 464,063	**$ 1,487,338**	$ 1,299,389
Operating Income	**$ 66,674**	$ 59,067	**$ 53,515**	$ 41,523	**$ 120,189**	$ 100,590
Interest expense					**12,360**	13,276
Interest and investment income					**(1,936)**	(2,668)
Income taxes					**39,247**	31,289
Net earnings					**$ 70,518**	$ 58,693

Selected Balance Sheet Information

	Equipment Group		Compression Group		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
Identifiable assets	**$ 641,820**	$ 578,223	**$ 294,229**	$ 268,698	**$ 936,049**	$ 846,921
Corporate assets					**8,765**	9,255
Total assets					**$ 944,814**	$ 856,176
Capital expenditures	**$ 52,349**	$ 53,344	**$ 13,259**	$ 19,578	**$ 65,608**	$ 72,922
Depreciation	**$ 33,738**	$ 32,258	**$ 9,018**	$ 7,165	**$ 42,756**	$ 39,423

Operations are based primarily in Canada and the United States. The following summarizes the final destination of revenue to customers and the assets held in each geographic segment.

	2004	2003
Revenues		
Canada	**$ 1,289,198**	$ 1,146,969
United States	**119,173**	97,015
International	**78,967**	55,405
	$ 1,487,338	$ 1,299,389
Capital Assets and Goodwill		
Canada	**$ 323,081**	$ 320,052
United States	**9,364**	7,509
	$ 332,445	$ 327,561

18. ECONOMIC RELATIONSHIP

The Company, through its Equipment Group, sells and services heavy equipment and related parts. Distribution agreements are maintained with several equipment manufacturers, of which the most significant are with subsidiaries of Caterpillar Inc. The distribution and servicing of Caterpillar products account for the major portion of the Equipment Group's operations. Toromont has had a strong relationship with Caterpillar since 1993.

TEN YEAR FINANCIAL REVIEW

For the years ended December 31 $ thousands except where otherwise indicated	2004	2003[1]	2002
OPERATING RESULTS			
Revenues	**1,487,338**	1,299,389	1,076,930
Net earnings from continuing operations	**70,518**	58,693	40,457
Unusual items	**–**	–	–
Net earnings	**70,518**	58,693	40,457
Net interest (income) expense	**10,424**	10,608	7,136
Depreciation	**42,756**	39,423	36,652
Capital expenditures	**65,608**	72,922	53,042
Dividends declared	**16,486**	13,319	11,541
FINANCIAL POSITION			
Working capital	**238,523**	203,577	213,222
Capital assets	**297,645**	293,211	258,764
Total assets	**944,814**	856,176	771,902
Long-term debt	**166,508**	159,694	156,479
Shareholders' equity	**415,855**	376,837	335,316
FINANCIAL RATIOS			
Working capital	**1.7:1**	1.7:1	1.8:1
Return on opening shareholders' equity (%)	**18.7**	17.5	12.9
Total debt net of cash to shareholders' equity	**.4:1**	.5:1	.4:1
PER SHARE DATA ($)			
Earnings from continuing operations	**1.11**	0.93	0.63
Unusual items	**–**	–	–
Net earnings	**1.11**	0.93	0.63
Dividends declared	**0.26**	0.21	0.18
Book value	**6.59**	5.93	5.28
Shares outstanding at year end	**63,082,586**	63,563,246	63,455,146
Price range			
High	**20.85**	16.73	13.25
Low	**16.13**	9.88	9.25
Close	**20.72**	16.53	10.33

Notes

(1) Includes the results of Toromont Energy Systems (formerly Energy Industries) from January 1, 2003.

(2) Includes the results of Powell Equipment Limited from July 1, 2001.

(3) Includes the results of Newfoundland and Labrador Caterpillar Dealership from November 1, 1996.

2001[2]	2000	1999	1998	1997	1996[3]	1995
911,005	800,464	723,937	683,482	684,716	542,477	496,648
43,700	32,345	32,057	28,242	25,674	21,905	19,521
–	–	–	9,946	35,159	–	–
43,700	32,345	32,057	38,188	60,833	21,905	19,521
(6,913)	3,797	(1,774)	1,910	2,424	5,213	3,061
34,369	26,900	15,898	14,900	11,667	10,327	6,772
77,394	57,968	52,146	36,307	29,627	20,632	9,373
10,646	9,257	8,213	7,650	5,859	4,382	3,757
218,132	165,098	183,922	144,109	138,458	96,294	71,001
252,104	206,526	138,499	106,628	84,831	68,132	34,179
720,702	613,787	531,201	442,972	434,341	318,287	262,616
171,970	157,187	120,000	60,000	60,000	60,806	41,240
314,248	218,213	203,062	183,596	155,821	100,305	79,680
2.0:1	1.7:1	1.9:1	1.8:1	1.7:1	1.6:1	1.5:1
17.1	15.9	17.5	24.5	60.6	27.5	30.3
.5:1	.7:1	.6:1	.3:1	.4:1	.6:1	.5:1
0.71	0.56	0.55	0.48	0.44	0.38	0.34
–	–	–	0.17	0.60	–	–
0.71	0.56	0.55	0.65	1.04	0.38	0.34
0.17	0.16	0.14	0.13	0.10	0.08	0.07
4.90	3.77	3.47	3.12	2.65	1.72	1.38
64,194,946	57,951,396	58,576,196	58,916,420	58,797,736	58,536,536	57,756,336
13.10	10.38	9.95	11.50	9.20	6.82	4.32
7.63	6.90	6.88	7.13	6.34	3.57	2.78
10.24	8.75	8.13	7.88	8.25	6.69	3.69

GOVERNANCE OVERVIEW

A strong and effective corporate governance program continues to be a principal priority for Toromont. The Nominating and Corporate Governance Committee, on behalf of the Board, establishes and monitors the governance program and its effectiveness. The Company's corporate governance structure and procedures are founded on our Code of Business Conduct that applies to all directors, officers and employees. Our governance includes the activities of the Board of Directors, who are elected by and are accountable to the shareholders, and the activities of management who are appointed by the Board and are charged with the day-to-day management of the Company.

Toromont regularly reviews and enhances its governance practices, monitoring and, where appropriate, responding to regulatory developments and other applicable legislation.

The Company's corporate governance program is in compliance with the Toronto Stock Exchange ("TSX") Guidelines for Corporate Governance.

BOARD OF DIRECTORS

The role of the Board of Directors, its activities and responsibilities are documented and are regularly assessed, as are the terms of reference for each of the committees of the Board, for the Lead Director, for the Executive Chairman and for the President and Chief Executive Officer, inclusive of scope and limits of authority of management. The Board acts in a supervisory role and any responsibilities not delegated to management remain with the Board. The Board's supervisory role includes such matters as strategic planning, identification and management of risks, succession planning, communication policy, internal controls and governance.

The Lead Director is an independent director appointed annually by the independent directors of the Board to facilitate the Board's functioning autonomously from management. The Lead Director serves as a non-partisan contact for other directors on matters not deemed appropriate to be discussed initially with the Executive Chairman or in situations where the Executive Chairman is not available. The Lead Director is available to counsel the Executive Chairman on matters appropriate for review in advance of discussion with the full Board of Directors. The Lead Director chairs a session at each Board meeting during which only independent directors are present.

COMMITTEE STRUCTURE AND MANDATES

Committees of the Board are an integral part of the Company's governance structure. Three committees have been established with a view to allocating expertise and resources to particular areas, and to enhance the quality of discussion at Board meetings. The committees facilitate Board decision-making by providing recommendations to the Board on matters within their respective responsibilities.

All committees are comprised solely of directors who are independent of management. A summary of the responsibilities and the membership of the committees follow.

The Nominating and Corporate Governance Committee: Principal responsibilities are reviewing and making recommendations as to all matters relating to effective corporate governance. The committee is responsible for assessing effectiveness of the Board, its size and composition, its committees, director compensation, the Board's relationship to management and individual performance and contribution of its directors. The committee is responsible for identification and recruitment of new directors and new director orientation.

The Audit Committee: Principal duties include oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, and consultation with the auditors independent of management.

The Human Resources and Compensation Committee: Principal responsibilities are compensation of executive officers and other senior management, short and long-term incentive programs, pension and other benefit plans, executive officer appointments, evaluation of performance of the Executive Chairman of the Board and of the President and Chief Executive Officer, succession planning and executive development. The committee also oversees compliance with the Company's Code of Business Conduct and the health, safety and environment program.

A comprehensive report on corporate governance with reference to each of the TSX Guidelines is contained in the Company's Management Information Circular.

CORPORATE INFORMATION

EQUIPMENT GROUP

Toromont CAT
3131 Highway 7 West
P.O. Box 5511
Concord, Ontario L4K 1B7
T: 416 667 5511
F: 416 667 5555
S.J. Medhurst
President

Battlefield–The CAT Rental Store
880 South Service Road
Stoney Creek, Ontario L8H 7S8
T: 905 577 7777
F: 905 643 6008
R.B. Casson
President

Ontario Sterling
800 Gana Court
Mississauga, Ontario L5S 1P1
T: 905 564 8789
F: 905 564 4961
J.S. Markoff
General Manager

COMPRESSION GROUP

Aero Tech Manufacturing Inc.
395 West 1100 North
North Salt Lake, Utah 84054
T: 801 292 0493
F: 801 292 9908
T.J. Riley
President

CIMCO Refrigeration
65 Villiers Street
Toronto, Ontario M5A 3S1
T: 416 465 7581
F: 416 465 8815
S.D. McLeod
President

CIMCO Refrigeration Inc.
395 West 1100 North
North Salt Lake, Utah 84054
T: 801 292 0493
F: 801 292 9908
S.D. McLeod
President

Toromont Process Systems
10121 Barlow Trail Northeast
Calgary, Alberta T3J 3C6
T: 403 291 3438
F: 403 291 3443
D.F. Duncan
President

Toromont Process Systems Inc.
10815 Telge Road
Houston, Texas 77095
T: 281 345 9300
F: 281 345 7434
D.F. Duncan
President

Toromont Energy Systems Inc.
10121 Barlow Trail Northeast
Calgary, Alberta T3J 3C6
T: 403 291 3438
F: 403 291 3443
I. Heidecker
Vice President

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of the Shareholders of Toromont Industries Ltd. will be held at 10:00 a.m. on Thursday, April 21, 2005 at Toromont Energy Systems Inc., 10121 Barlow Trail Northeast, Calgary, Alberta.

BOARD OF DIRECTORS AND OFFICERS

Left to right on opposite page.

Ronald G. Gage, FCA ■ ●
Chairman, Nominating and Corporate Governance Committee
Director since 2000
Mr. Gage, a Fellow of The Institute of Chartered Accountants of Ontario, was Chairman and Chief Executive officer of Ernst & Young LLP, Canada from 1993 to 1999. He is a director of AIM Canada Fund Inc., AIM Global Fund Inc. and Easyhome Ltd. Mr. Gage is also a member of the Canadian Public Accountability Board.

John S. McCallum ■ ●
Lead Director and Chairman, Audit Committee
Director since 1985
Mr. McCallum is a Professor of Finance in the Faculty of Management at the University of Manitoba. He is also a director of IGM Financial Inc., Wawanesa Mutual Insurance Company, Wawanesa General Insurance Company, Wawanesa Life Insurance Company and Fortis Inc.

H. Stanley Marshall ▲
Director since 1998
Mr. Marshall is President and Chief Executive Officer and a director of Fortis Inc. and all of its subsidiaries (an international electric utility holding company).

Hugo T. Sørensen
Director since 1998
Mr. Sørensen is President and Chief Executive Officer of the Company. Mr. Sørensen joined Toromont as President in March 1997 and was President and Chief Operating Officer from 1998 to 2002, at which time he was appointed President and Chief Executive Officer.

Robert M. Ogilvie
Director since 1986
Mr. Ogilvie is Executive Chairman of the Board. Mr. Ogilvie joined Toromont as President in 1985 and was Chairman, President and Chief Executive Officer of the Company from 1987 to March 1997. He was Chairman and Chief Executive Officer of the Company from March 1997 to January 1, 2002, at which time he became Executive Chairman of the Board. Mr. Ogilvie is also the Chairman of the National Advisory Council of Mount Allison University, New Brunswick.

Robert M. Franklin ● ▲
Chairman, Human Resources and Compensation Committee
Director since 1994
Mr. Franklin is Chairman of the Board and a director of Placer Dome Inc. (an international gold mining company). He also serves on the Board of Directors of Call-Net Enterprise Inc. and Great Lakes Carbon Corporation.

Wayne S. Hill
Director since 1988
Mr. Hill is Executive Vice President and Chief Financial Officer of the Company. Mr. Hill joined Toromont in 1985 as Vice President, Finance and Chief Financial Officer and became Executive Vice President in February 2002.

David A. Galloway ■ ▲
Director since 2002
Mr. Galloway was President and Chief Executive Officer of Torstar Corporation from 1988 until his retirement in May 2002. He is Chairman of the Board and a director of Bank of Montreal. He is also Chairman of the Board of Trustees for the Hospital for Sick Children and serves on the Board of Directors of Bankmont Financial Corp., E.W. Scripps Company and Hudson's Bay Company.

OFFICERS

Robert M. Ogilvie
Executive Chairman

Hugo T. Sørensen
President and Chief Executive Officer

Wayne S. Hill
Executive Vice President and Chief Financial Officer

Michael P. Cuddy
Vice President and Chief Information Officer

David C. Wetherald
Vice President, General Counsel & Secretary

■ Member of Nominating and Corporate Governance Committee
● Member of Audit Committee
▲ Member of Human Resources and Compensation Committee

Design: Ove Design & Communications Ltd. www.ovedesign.com

HOW TO GET IN TOUCH WITH US
Tel: 416 667 5511
Fax: 416 667 5555
E-mail: investorrelations@toromont.com
www.toromont.com

HOW TO REACH OUR TRANSFER AGENT AND REGISTRAR
Investors are encouraged to contact CIBC Mellon Trust for information regarding their security holdings.

CIBC Mellon Trust
320 Bay Street
Toronto ON M5H 4A6
Answer Line: 416 643 5550 or
Toll-Free North America: 1 800 387 0825
E-mail: inquiries@cibcmellon.com
www.cibcmellon.com

COMMON SHARES
Listed on the Toronto Stock Exchange
Stock Symbol – TIH

TOROMONT INDUSTRIES LTD.
Corporate Office
3131 Highway 7 West
P.O. Box 5511
Concord ON L4K 1B7

TOROMONT